

### Agents of Positive Change

Congress enacted the Inspector General Act to establish independent offices in most federal agencies, commissions, and certain federally funded corporations to help oversee taxpayer funds, to prevent and detect fraud and abuse and to improve the economy and efficiency of these federally funded programs. At LSC, these objectives are embraced by the Office of Inspector General (OIG) and are especially important as dollars lost to fraud, waste, or abuse (FWA) cost LSC-funded programs critically needed resources and can deprive clients of services they need to protect their rights in areas vital to their personal, legal, and economic security.

At the LSC OIG, we devote much of our oversight work to conducting professional audits, investigations, and program analyses. Our work helps improve and protect LSC's programs and activities from FWA and inefficient activities. While maintaining the independence of the OIG, our staff works in close coordination with LSC's Board of Directors, LSC's management, and staff to further the corporation's mission of providing equal justice for all through quality legal representation.

As I enter my fifth year of serving as LSC's Inspector General, I am pleased to report that our office continues to make substantial contributions to improve and protect LSC's programs by helping to ensure that limited federal funds are expended for the laudable purposes granted.

Throughout fiscal year 2011, we focused our audit efforts on reviewing internal controls at LSC grantees and selected programs, especially as they related to financial operations. Our audits identified more than \$1.1 million in questioned costs involving both grantee and LSC headquarters programs. The reports issued included findings of control weaknesses at one grantee so significant that they raised questions about both the reliability and integrity of the entire accounting system; findings questioning the allocation of certain payments charged to LSC funds at another grantee; and an array of control deficiencies in a multi-million dollar LSC technology grant program constituting a material weakness in the program's internal control system. It is gratifying that in each case prompt steps were taken by grantees and LSC management to address the problems and take corrective action.

The OIG is also responsible for overseeing the annual financial statement audit process for LSC's grantees. This oversight was accomplished through desk reviews of all audit reports

and on-site quality assurance reviews of selected audit firms' work. The OIG's program of audit quality control reviews is providing broader coverage of the individual audits. It will ensure that independent public accounting firms performing grantee audits are following applicable standards and are subject to review on a four-year cycle, providing strengthened oversight of the controls over the funds granted by LSC.

The OIG completed more than 31 investigations during fiscal year 2011, including OIG investigations where: a former office manager/grants administrator of an LSC grantee and another employee were indicted for the theft of over \$150,000; three former grantee officials were sentenced to imprisonment for their roles in major frauds and were ordered to pay full restitution to

the grantees involved; and multiple personnel actions were taken to remove grantee employees based on misconduct, the facts of which were surfaced through OIG investigations.

We continue to place a high priority on prevention and deterrence by employing a variety of outreach and educational initiatives, such as conducting regular fraud awareness briefings and onsite vulnerability assessments for grant recipients and boards across the country. We also operate a nationwide hotline for reporting suspected FWA to further help protect LSC and its grantees.

By continuing to press forward with these and similar activities, the OIG is helping to identify fraud, waste, and abuse in LSC programs and operations and to improve the efficiency and effectiveness of the federally funded legal services program. I am gratified at the contributions that we have made and I am committed to doing all that we can to help improve and protect LSC's programs. I am pleased to be able to work with LSC's President, Jim Sandman, Board Chairman, John Levi, and the members of LSC's Board of Directors, in pursuing our common commitment to helping LSC achieve its goal of providing equal access to justice for low-income Americans.



A handwritten signature in black ink, appearing to read 'Jeffrey E. Schanz'.

Jeffrey E. Schanz  
*Inspector General*  
*Legal Services Corporation*  
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